

# Agricultural Markets Review

from Nationwide Economics



June 2022

## Ag News Highlights

### U.S. wheat crop in poor shape

Droughts have devastated the harvest potential for the U.S. winter wheat crop and could cause some farmers to abandon planted acres rather than absorb the cost of harvesting a wheat crop in poor condition. Experts estimate as much as 10 percent of the winter wheat crop in Kansas (the country's largest wheat state) and up to 30 percent of Colorado's could be abandoned.

The state of the winter wheat crop combined with the downward trend in international harvest prospects and the effects of the war in Ukraine have added more importance to the U.S. spring wheat crop. Unfortunately, snow and rain have disrupted the planting season in North Dakota, the country's largest grower of spring wheat. As of May 22, U.S. farmers had planted only 49 percent of planned acres, tying 2014 for the slowest pace since 1996; North Dakota farmers had planted only 27 percent, the second slowest pace in the last forty years. Considering the soaring wheat prices, a weak spring wheat crop would be a significant missed opportunity for U.S. farmers and would add further stress to the global wheat market. ([MSN](#))

### More farms for sale

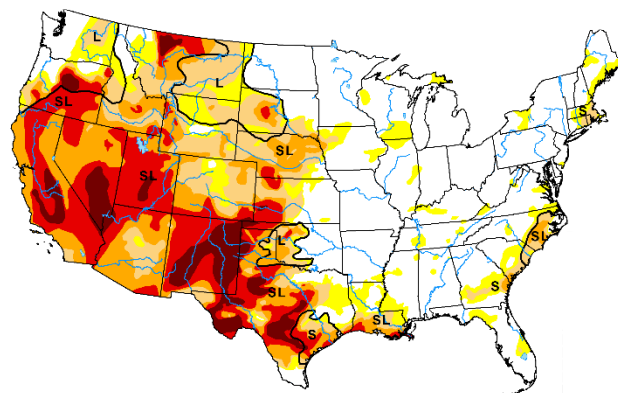
Farmland sale activity is soaring, with acreage sold via auction up by over 100 percent from a year ago, while the dollar value of auction sales is up by 130 percent, according to Farmer's National Company. While Doug Hensley of Hertz Farm Management points out that values are well above standard going rates; several recent sales have surpassed \$20,000 per acre, a figure that would have been unheard of until recently. The factors most responsible for the elevated values are high commodity prices and inflation. Additionally, rising interest rates could negatively affect demand through decreased affordability going forward, but they have not had a significant impact to this point. ([AgWeb](#))

### Corn planting progress improves

After a slow start, corn planting had a strong May. As of June 5, 94 percent of planned acres were planted, slightly ahead of the five-year average. Additionally, the current crop condition is encouraging, with 73 percent in good or excellent condition. Soybean planting and emergence are both in line with the five-year average, but it is too early to measure crop conditions for soybeans. ([USDA](#))

## Drought Monitor

Exceptional droughts - those rated the highest DF4 drought rating - have increased in New Mexico and parts of Utah, Nevada, California, Texas, and Montana. Conversely, most of the eastern half of the country has experienced adequate precipitation recently with reduced drought conditions along the Atlantic Coast.



### Drought Impact Types

- Delineates dominant impacts
- S** Short-Term, typically less than 6 mos (ex: agriculture, grasslands)
- L** Long-Term, typically greater than 6 mos (ex: hydrology, ecology)

### Intensity

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

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## Commodity Prices

Monthly average, May 2022

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn <sup>1</sup>	\$7.80	2%	23%	13%
Cotton, Upland <sup>3</sup>	\$1.44	4%	17%	74%
Soybeans <sup>1</sup>	\$16.78	1%	7%	7%
Wheat (winter) <sup>1</sup>	\$11.34	4%	41%	57%
Cattle, All Beef <sup>2</sup> (Apr. 2022)	\$139.00	0%	3%	18%
Hogs <sup>2</sup>	\$98.94	0%	9%	-7%
Milk <sup>2</sup> (Apr. 2022)	\$27.10	5%	12%	48%
Broilers <sup>3</sup>	\$1.70	3%	35%	61%
Eggs <sup>4</sup>	\$2.39	-8%	46%	211%
Crude Oil <sup>5</sup> West Texas Intermediate	\$109.55	8%	20%	68%
Diesel Fuel <sup>6</sup> U.S. City Average	\$5.57	9%	38%	73%

### Table Footnotes

<sup>1</sup> \$ per bushel

<sup>2</sup> \$ per hundredweight (CwT)

<sup>3</sup> \$ per pound

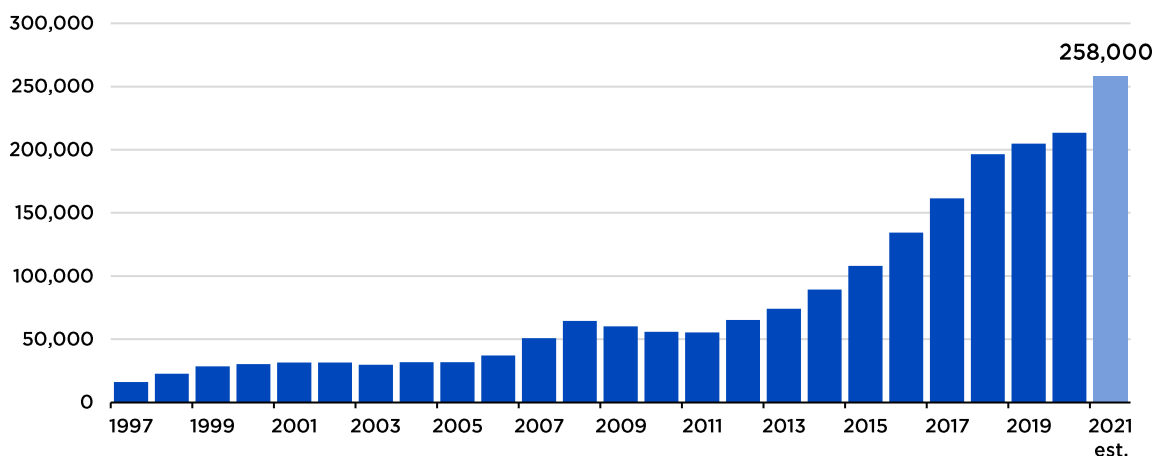
<sup>4</sup> \$ per dozen

<sup>5</sup> \$ per barrel

<sup>6</sup> \$ per gallon

# Tight labor market squeezes farmers

## H-2A visa approvals continue to rise



Sources: U.S. Department of State

According to Veronica Nigh, senior economist with the American Farm Bureau Federation (AFBF), the market for agricultural labor has been tight for at least a decade. Tightening in the overall labor market seen over the last two years has also driven a lack of supply within the ag labor market. In many places, hourly and weekly wages for jobs which offer preferred working conditions (e.g., better hours, less physically demanding work, insulation from the weather, etc.) have risen beyond what most farms can offer. Data from the H-2A visa program, which is used by farmers to get international workers when domestic workers are not available, confirms the difficulties farms are having: applications by farms for H-2A workers from January through March were up by 17 percent year-over-year.

Moreover, the unemployment rates in rural states with an abundance of farm operations are typically much lower than the already-low national average, compounding the difficulty in finding farm labor. Through April, the unemployment rates in Idaho, Indiana, Iowa, Kansas, Minnesota, Montana, Nebraska, North and South Dakota, Oklahoma, and Wisconsin were all 3.0 percent or lower (the national average was 3.6 percent); Nebraska's unemployment rate was the lowest at 1.9 percent. AFBF president Zippy Duvall notes, however, that this problem is not exclusive to farms in middle America. In a trip to the West Coast, he spoke with farmers representing dairy and various fruit farms who all echoed a similar theme that finding workers is currently their greatest challenge.

Having dealt with a shortage of labor for some time, farmers have invested in technology to reduce the amount of labor needed during peak season. Still, the technology necessary to reduce the need of human hands and care through the growing season doesn't currently exist, so farms are likely to remain shorthanded until either the supply of labor increases or demand for it decreases more broadly.

Prior to the pandemic, the short supply of labor in agriculture was primarily an on-the-farm problem, but it has expanded to all levels of the supply chain, according to Nigh. This includes the well-documented trucker shortage, ag processors, and other parts of rural areas dealing with agriculture. The widespread shortage of workers is driving up wages within the sector, further squeezing profits for farm operations while adding to price pressures for food.

(AFBF)



# EIA Energy Forecast

	2022 (May) <sup>1</sup>	2022 <sup>2</sup>	2023 <sup>2</sup>
West Texas Crude (per barrel)	\$109.55	\$98.50	\$93.00
Diesel Fuel (retail \$ per gallon)	\$5.57	\$4.26	\$4.22
Natural Gas (per million Btu)	\$8.13	\$8.49	\$3.95

<sup>1</sup> Latest actual price.

<sup>2</sup> Forecast prices are an average for the month of May.

Source: [U.S. Energy Information Administration](https://www.eia.gov)

## Glossary

### Acronyms/Terminology

USDA – United States Department of Agriculture

Hundredweight – Refers to a unit of 100 pounds in the U.S. and Canada

### Data Sources

Commodities excluding beef and milk – Haver Analytics and The Wall Street Journal

Beef and milk – Haver Analytics and the U.S. Department of Agriculture (Prices received by farmers)

Drought Monitor – National Drought Mitigation Center, <http://droughtmonitor.unl.edu/>

### Additional information sources

CoBank Knowledge Center – [www.cobank.com/Knowledge-Exchange.aspx](http://www.cobank.com/Knowledge-Exchange.aspx)

USDA Economic Research Service – [www.ers.usda.gov](http://www.ers.usda.gov)

USDA Price & Import/Export Forecasts – [USDA Economic Research Service Publications](https://www.ers.usda.gov/publications)

Association of Equipment Manufacturers – [www.aem.org/agriculture/](http://www.aem.org/agriculture/)

Agriculture Commodity Prices - <http://www.cnbc.com/agricultural-commodities/>

Livestock Commodity Prices - <http://www.cnbc.com/livestock-commodities/>



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